



Agenda Date: 08/06/03  
Agenda Item: 5A

**STATE OF NEW JERSEY**

**Board of Public Utilities**

**Two Gateway Center**

**Newark, NJ 07102**

**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

**DIVISION OF  
WATER AND WASTEWATER**

IN THE MATTER OF THE PETITION OF THE WALLKILL )  
SEWER COMPANY FOR APPROVAL OF AN INCREASE )  
IN RATES FOR SEWER SERVICE AND THE )  
ESTABLISHMENT OF A PURCHASED SEWER )  
TREATMENT ADJUSTMENT CLAUSE (PSTAC) )

**ORDER ADOPTING INITIAL  
DECISION/SETTLEMENT**

**BPU DOCKET NOS. WR02030193 &  
WR02030194  
OAL DOCKET NO. PUC-0319-02N**

**(SERVICE LIST ATTACHED)**

**BY THE BOARD:**

On March 21, 2002, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, Wallkill Sewer Company (Petitioner or Company), a public utility of the State of New Jersey, filed a petition with the Board of Public Utilities (Board) seeking approval for an increase in rates for wastewater service of \$48,100, which is an overall increase of 42.10%. This matter was assigned Docket No. WR02030194.

Also on March 21, 2002, the Company petitioned the Board to establish a purchased sewerage treatment adjustment clause (PSTAC) under N.J.S.A. 48:2-21 and N.J.A.C. 14:9-8.4. This matter was assigned Docket No. WR02030193.

The Petitioner serves approximately 277 customers in its service territory within the Township of Hardyston, Sussex County, NJ. These customers consist of approximately 256 condominium apartments and 21 townhomes. The Company does not treat its wastewater. Petitioner uses the Sussex County Municipal Utilities Authority (SCMUA) for the treatment and disposal of its collected sewerage.

**PROCEDURAL HISTORY**

The dockets were combined and these matters were transmitted to the Office of Administrative Law (OAL) on April 26, 2002. Administrative Law Judge (ALJ) William Gural was assigned to preside over these cases. The Board issued its first Suspension Order suspending the effective date of the originally

proposed rate increase to September 1, 2002. The Board issued its second Suspension Order further suspending a now amended proposed rate increase to January 1, 2003.<sup>1</sup>

The parties to this proceeding are the Petitioner, the Division of the Ratepayer Advocate (Advocate) and Board Staff (Staff), (collectively, the Parties). There were no other parties to the proceeding.

A pre-hearing conference was held before ALJ William Gural on August 1, 2002, at which time the Petitioner indicated it would file an amended petition. On August 30, 2002, the Petitioner filed its amended petition requesting to increase its sewer rates by \$69,601, which would result in a 60.90% increase over current rates.

A public hearing was held in the Township of Hardyston, NJ at 3:00 p.m. on October 4, 2002, before ALJ Gural. Approximately eighteen (18) members of the public attended the hearing, with nine (9) addressing Judge Gural. Among the comments voiced by the attendees were concerns regarding the magnitude of the proposed increase, the frequency and accuracy of meter reading, and water and wastewater usage of individual townhouse residents vis-à-vis apartment residents.<sup>2</sup>

Evidentiary hearings were scheduled for January 30, 2003. The Parties subsequently conducted settlement discussions and, as a result of those discussions, the Parties reached a stipulation of all issues (stipulation or settlement).

ALJ Gural issued an Initial Decision recommending adoption of the stipulation executed by the Parties, finding that the Parties have voluntarily agreed to the settlement, and that the settlement fully disposes of all issues in controversy and is consistent with the law.

#### STIPULATION:

As more fully set forth in the attached stipulation, the Parties agreed that:<sup>3</sup>

1. There will be no rate base established for the Company, consistent with the resolution in the Company's last rate case and the evidence adduced during this proceeding. This is consistent with the Order of the Board in Petitioner's last base rate case at Docket No. WR 96070546 dated May 28, 1997 (settlement paragraph 1).
2. The overall increase in annual revenues will be \$25,000, which represents an increase of 20.34%. The Company agrees that this revenue is necessary to ensure that the Company will continue to provide safe, adequate and proper service to its customers (settlement paragraph 2).
3. A test year utilized for the purpose of this stipulation was to be the twelve-month period ending December 31, 2001 (Exhibit A).
4. The Company will be permitted to file for a PSTAC at the conclusion of this proceeding, as set forth in, and in conformance with, the regulations at N.J.A.C. 14:9-8 et seq. The estimated PSTAC calculation for 2003 based on the purchased treatment expenses from the Sussex County Municipal Utilities Authority are outlined on Exhibit C (settlement paragraph 8).

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<sup>1</sup> The Petitioner agreed not to implement the proposed rates until the Board issued its final Decision and Order.

<sup>2</sup> The parent company of Wallkill Sewer Company is Edgewater Associates, Inc. (Edgewater). Edgewater provide water service (through Wallkill Water Company) and wastewater service (through Petitioner) to the same set of customers.

<sup>3</sup> This is intended as a summary of the settlement. The full settlement agreement controls.

5. The rate increase shall be implemented in a manner which allocates increases in Petitioner's purchased sewerage treatment expenses to the volumetric rate charged by the Company and non-purchased sewerage treatment expense increases to the fixed quarterly rate charged by the Company. The rate design incorporated in this stipulation recognizes the concerns expressed at the public hearing about the relative rate burdens among the customers and incorporates all reasonable accommodations regarding those concerns, including the concern expressed by customers that townhouse customers were paying a disproportionately higher rate relative to the apartment customers (settlement paragraph 3).
6. The tariff pages incorporating the rate changes agreed to by the Parties, shall be submitted to the Staff and the Ratepayer Advocate within ten days (10) from the effective date of the Board's Order in this matter. There will be no changes to any of the miscellaneous charges in the Company's current tariffs (settlement paragraph 4).
7. The accounting methods used by the Company, on a going forward basis, from the date of the stipulation, will be in compliance with the Uniform System of Accounts and with Generally Accepted Accounting Practices or Principles. The Parties further agree that the Petitioner will utilize the services of a professional bookkeeper/accountant to bring and maintain the Petitioner's accounts in compliance with the Board approved Uniform System of Accounts by October 1, 2003 (settlement paragraph 5).
8. The Company shall file with the Board a formal Management Contract with its parent, Edgewater Associates, Inc., within thirty days (30) of the Board's Order in this proceeding. The Management Services Contract shall detail, with specificity, the terms and conditions under which management services are provided to, charged to, and paid by Wallkill Sewer Company. The Contract filed with the Board shall contain, but not be limited to the following: (a) the allocation and/or the method of providing certain services and materials to and for Wallkill Sewer Company; (b) the facilities, services, materials, and expertise of management, supervisory, clerical, and technical personnel provided by Edgewater Associates, Inc., or any affiliated company or entity; (c) all fees and charges for such services, the payment arrangements between or among the parties, and the duration of the management service contract; and (d) a description or exhibit of the meter reading and testing program and schedule, which shall conform to the Board's meter testing and replacement program rules (settlement paragraph 6).<sup>4</sup>
9. Prudent management of Wallkill Sewer's system includes attention to the issue of Infiltration and Inflow (I & I) and that for Wallkill Sewer Company, I & I is potentially a large source of increased treatment expenses. Therefore, as part of the Company's routine management of the system, the licensed operator or similarly responsible employee of the Petitioner shall investigate and measure the source of any I & I into the system including, for example, the estimated flow of storm water into the sanitary sewer system. The status and results of this ongoing investigation shall be made available to Staff and the Ratepayer Advocate upon request, within a reasonable time frame. The I & I investigation and report shall include a breakdown of flows from each class of customers and a comparison on an actual and percentage basis of the flows from each class of customers with the total flows handled by the Company (settlement paragraph 7).

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<sup>4</sup> This applies to water meters of Wallkill Water Company

## DISCUSSION AND FINDINGS:

The additional revenues of \$25,000 will be generated as follows:

Fixed charges: The stipulation sets forth a quarterly rate of \$40.56 for a 5/8" meter service. This represents a 12.23% increase over the current quarterly rate of \$36.14. The quarterly rate for a 3/4" meter service will increase from \$54.21 to \$60.84 or 12.23%. The quarterly rate for a 1" meter service will increase from \$90.35 to \$101.40 or 12.23%.

Consumption charges: The current rate of \$4.39 per 1,000 gallons will increase to \$5.48 per 1,000 gallons, an increase of approximately 24.83%.

Based on the above rates, a wastewater customer with a 5/8" meter, utilizing 14,000 gallons of water per quarter, will experience an increase in their wastewater bill from \$97.60 per quarter (\$390.40 per year) to \$117.28 per quarter (\$469.12 per year), an increase of \$19.68 per quarter (\$6.56 per month). The total percentage increase for a 5/8" metered customer is approximately 20.16%.

A wastewater customer with a 3/4" meter, utilizing 14,000 gallons of water per quarter, will experience an increase in their wastewater bill from \$115.67 per quarter (\$462.68 per year) to \$137.36 per quarter (\$549.44 per year), an increase of \$21.69 per quarter (\$7.23 per month). The total percentage increase for a 3/4" metered customer is approximately 18.75%.

A wastewater customer with a 1" meter, utilizing 14,000 gallons of water per quarter, will experience an increase in their wastewater bill from \$151.81 per quarter (\$607.24 per year) to \$178.12 per quarter (\$712.48 per year), an increase of \$26.31 per quarter (\$8.77 per month). The total percentage increase for a 1" metered customer is approximately 17.33%.

The Board, having reviewed the ALJ's Initial Decision, the stipulation of the Parties, and the record in this matter, HEREBY FINDS that the Parties have voluntarily agreed to the stipulation and that the stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the stipulation to be reasonable and in the public interest. The Board HEREBY ADOPTS the Initial Decision and stipulation, hereto, as its own, incorporating by reference, the terms and conditions as if fully set forth herein, subject to the following:

- a. The overall increase in annual revenues shall be \$25,000, from \$122,936 to \$147,935, which represents an increase of 20.34%. This increase agreed to by the Company adjusts the total revenues to a level sufficient to ensure that the Company shall continue to provide safe, adequate and proper service to its customers.
- b. There is no finding of rate base established for the Company as provided for under N.J.S.A. 48:2-21.2 (1) (a) and as supported by the evidence adduced during this rate proceeding.
- c. The test year utilized for the purposes of this stipulation shall be the twelve-month period ending December 31, 2001.
- d. The Company shall be permitted to file for a Purchased Sewer Treatment Adjustment Clause (PSTAC) , pursuant to N.J.A.C. 14:9-8 et seq.

- e. The rate increase granted herein shall be implemented in a manner, which allocates increases to purchased sewer treatment expenses to the volumetric rate, and non-purchased sewer treatment expense increases to the fixed quarterly rate charged by the Company. The rate design to be incorporated in the tariff pages shall recognize the concerns expressed at the public hearing about the relative rate burdens among the customers and incorporate all reasonable accommodations regarding those concerns, including the concerns expressed by customers that townhouse customers were paying a disproportionately higher rate relative to the apartment customers.
- f. The tariff pages incorporating the rate changes agreed to herein, shall be submitted to the Board within ten days (10) from the effective date of this Order.
- g. The accounting methods used by the Company on a going forward basis, from the date of the stipulation, shall be in compliance with the Uniform System of Accounts and when necessary with Generally Accepted Accounting Practices or Principles. The Company shall utilize the services of a professional bookkeeper/accountant to bring and maintain the Company's books and accounts into full compliance with the Uniform System of Accounts by October 1, 2003.
- h. The Company shall file with the Board a formal Management Contract with its parent, Edgewater Associates, Inc., within thirty days (30) of the Board's Order in this proceeding. The Management Services Contract shall detail, with specificity, the terms and conditions under which management services are provided to, charged to, and paid by Wallkill Sewer Company.
- i. Further, while Wallkill Water Company is not a party to this proceeding, it also is a subsidiary of Edgewater Associates, Inc. Therefore the Board DIRECTS this Order be served upon Wallkill Water Company and that Wallkill Water Company is ORDERED to submit a management contract similar to the management agreement agreed to by Wallkill Sewer Company, within thirty (30) days from the date of this Order. The Contracts filed with the Board shall contain but not be limited to the following: (1) the allocation and/or the method of providing certain services and materials to and for Wallkill Water Company (2) the facilities, services, materials and expertise of management, supervisory, clerical, and technical personnel provided by Edgewater Associates, Inc., or any affiliated company or entity; (3) all fees and charges for such services, the payment arrangements between or among the parties, and the duration of the management service contracts; and (4) a description or exhibit of the meter reading and testing program and schedule, which shall conform to the Board's meter reading and replacement program rules. Any objection to this requirement or request for modifications thereof, shall be filed with the Board by Wallkill Water Company within 15 days of receipt of this Order.
- j. As part of the Company's routine management of the system, the licensed operator or similarly responsible employee of the Company shall investigate and measure the source of any I & I into the system, including the estimated flow of storm water into the sanitary sewer system. The status and results of this ongoing investigation shall be made available to the Board Staff and the Ratepayer Advocate upon request, within a reasonable time frame. The I & I investigation and report shall include a breakdown of flows from each class of customers and a comparison on an actual and percentage basis of the flows from each class of customers with the total flows handled by the Company.

The effective date of the Order is as dated below:

DATED: **8/7/03**

BOARD OF PUBLIC UTILITIES  
BY:

**(SIGNED)**

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JEANNE M. FOX  
PRESIDENT

**(SIGNED)**

\_\_\_\_\_  
FREDERICK F. BUTLER  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
CAROL J. MURPHY  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
CONNIE O. HUGHES  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
JACK ALTER  
COMMISSIONER

ATTEST:

**(SIGNED)**

KRISTI IZZO  
SECRETARY

I/M/O THE PETITION OF WALLKILL SEWER COMPANY FOR  
APPROVAL OF A RATE INCREASE FOR SEWER SERVICE AND  
APPROVAL OF A PURCHASED SEWAGE TREATMENT ADJUSTMENT CLAUSE  
BPU DOCKET NOS. WR02030193 AND WR02030194  
OAL DOCKET NO. PUC 03919-02

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